

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1049 – SB 999

February 10, 2016

SUMMARY OF ORIGINAL BILL: Enacts the Tennessee Choice and Opportunity Scholarship Act. Authorizes eligible students to apply for and receive scholarships to attend participating non-public schools. Requires students to meet certain eligibility requirements including, but not limited to, being zoned for or currently attending a school that is identified as being in the bottom five percent of schools in overall achievement data and meeting certain age and income requirements. Requires non-public schools to provide annual notice to the Department of Education (DOE) of their intent to participate and to comply with all other participation requirements.

Requires the DOE to administer the program, and sets forth specific departmental administrative tasks including, but not limited to, providing annual notice of students' eligibility to parents; determining and approving initial and continuing eligibility for participating schools; and remitting scholarship payments to participating schools. Authorizes scholarship students to enroll in another participating school without loss of eligibility, if a participating school is deemed ineligible. Sets forth the procedures that shall be followed if the number of eligible students exceeds the number of scholarships awarded at a specific school for a specific grade level, and if there are scholarships available after all possible matches have been made between participating schools and eligible students.

Requires the annual scholarship amount to be the lesser of the participating school's annual tuition and fees or the amount of the required state and local Basic Education Program (BEP) funding per pupil. Requires students receiving the scholarship to continue to be counted toward the average daily membership (ADM) of the local education agency (LEA). Requires LEAs to continue to fund their portion of the required BEP per pupil expenditure (PPE) for participating students. Authorizes LEAs to retain any local funding above and beyond the BEP local match requirement. Requires any remaining funds to be retained by the DOE and the LEA, with specific amounts based on the LEA's state and local BEP funding share division, if a participating school's tuition and fees are less than the required state and local BEP per pupil expenditure (PPE).

Caps the scholarship program for LEAs with a school that is in the bottom five percent of achievement at 5,000 scholarships for FY15-16; 7,500 scholarships in FY16-17; and 10,000 scholarships in FY17-18; and 20,000 scholarships in FY18-19 and subsequent fiscal years.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$185,000

Other Fiscal Impact – For local education agencies that have schools in the bottom five percent of achievement and are mandated to participate in the statewide scholarship program, the shift of state and required local BEP funding from these local education agencies to the non-public participating schools is estimated as follows: \$16,570,000 in FY15-16; \$25,473,800 in FY16-17; \$34,815,000 in FY17-18; and an amount exceeding \$69,630,000 in FY18-19 and subsequent years

SUMMARY OF AMENDMENTS (011621, 012242): Amendment 012242 deletes the language of Amendment 011621 and then deletes all language after the enacting clause of the original bill. Rewrites the bill such that the only substantive changes are to: 1) create a pilot equal opportunity scholarship program, beginning in FY17-18, that is located solely in the Shelby County school system for a maximum of five thousand eligible students in each academic year; 2) deletes subdivision (a)(4) of Section 1, 49-1-1203 of the bill and substitutes language requiring participating Category I schools to annually administer to participating students the state assessments as provided in part 6 of the chapter or nationally recognized norm-referenced tests, as approved by the State Board of Education, that measure educational progress; 3) adds language requiring participating Category II or III schools to annually administer to participating students the state assessments as provided in part 6 of the chapter or nationally recognized norm-referenced tests, as permitted by such schools appropriate accrediting agencies; and 4) to require the Comptroller's Office of Research and Education Accountability, in consultation with the Department of Education (DOE) to make a comprehensive report on the pilot program to the Governor, General Assembly, State Board of Education, Department of Education, and all local education agencies after the second and fourth year of the pilot program's existence. The bill, as amended, will take effect upon becoming law.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Expenditures - \$185,000

Other Fiscal Impact – State and local Basic Education Program (BEP) funding will shift from the Shelby County school system to non-public participating schools in an amount estimated as follows: \$14,722,500 in FY17-18 and an amount estimated to exceed \$30,189,000 in FY18-19 and subsequent fiscal years.

Assumptions relative to state expenditures:

- DOE will require two new positions to administer the program beginning in FY16-17. One position will require a salary of \$80,000 with benefits of \$19,356 for a total of \$99,356. A second position will require a salary of \$60,000 with benefits of \$14,652 for a total of \$74,652.
- An additional increase in state expenditures of \$11,000 for travel, administrative costs, printing, and other expenses.
- The total recurring increase in state expenditures for personnel is estimated to be \$185,008 (\$99,356 + \$74,652 + \$11,000).
- The DOE and SBE will certify that participating schools are meeting all requirements using personnel that will be hired to administer this program. Any increase in state expenditures is estimated to be not significant.
- OREA will complete the required report utilizing its existing personnel, without a need for an increased appropriation.

Assumptions relative to pilot program enrollment, scholarship amounts, and program estimates:

- The pilot program in Shelby County will begin in the fall of 2017.
- It is reasonably estimated that a minimum of 2,500 students will participate in the 2017-18 academic year and that the maximum number of authorized students, 5,000, will enroll in the program in FY18-19 and subsequent fiscal years.
- For the purposes of this fiscal note, the required state and local BEP expenditures are utilized as the scholarship amount with an estimated scholarship growth of 2.5% annually.
- The total estimated per pupil expenditure in Shelby County is \$7,234 for FY16-17; with the required BEP state and local BEP amount being \$5,745.
- The scholarship amount for the pilot program is estimated to be \$5,889 (\$5,745 x 102.5%) in FY17-18 and to exceed \$6,036 (\$5,889 x 102.5%) in FY18-19 and subsequent fiscal years.
- In FY17-18, an estimated \$14,722,500 (\$5,889 x 2,500) will shift from Shelby County Schools to participating schools.
- In FY18-19 and subsequent fiscal years, an estimated to exceed \$30,189,000 (\$6,036 x 5,000) will shift from Shelby County Schools to participating schools.

Assumptions Relative to LEA Fund Retention and expenditures:

- The BEP maintenance of effort requires that local government continue to fund their LEA at the same level year-to-year unless there is a decrease in enrollment.
- Participating students will continue to be counted in LEA enrollment numbers, and LEAs will be required to continue providing funding based on the enrollment numbers that include participating students.

- A majority of LEAs are currently funding their students above and beyond the BEP local match requirement. This amount varies widely by LEA, but based on FY15-16, the average amount that Shelby County Schools will retain is estimated to be \$1,489 for each participating student. This amount is estimated to increase at an average growth rate of 2.5% annually in each subsequent year.
- Each year, students leave and enter LEAs. As a result, LEAs adjust expenditures, teachers, facilities, and other items to meet the change in student population.
- Shelby County Schools will be able to use retained funding to offset any increase in local government expenditures or to use at their discretion for some other purpose.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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